



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
NICHOLAS COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES**

May 20, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
NICHOLAS COUNTY
CHARLES RING, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
MAY 20, 2000

The Auditor of Public Accounts audited the Nicholas County Sheriff's Settlement - 1999 Taxes as of May 20, 2000. An unqualified opinion was rendered on the financial statement. The lack of an adequate segregation of duties was noted as a reportable condition and a material weakness in relation to the entity's internal control structure. Based on the Sheriff's audited financial statement for the 1999 taxes, various amounts are due to and due from the taxing districts. There is a deficit of \$3,131, and we have recommended the Sheriff deposit personal funds to the tax account to eliminate this problem.

Deposits:

The Sheriff's deposits were fully collateralized or insured as of May 20, 2000, and throughout the tax year. The Sheriff had a written agreement with his depository institution.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 1999 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS	7
COMMENTS AND RECOMMENDATIONS.....	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	15



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Larry Tinchler, Nicholas County Judge/Executive

Honorable Charles Ring, Nicholas County Sheriff

Members of the Nicholas County Fiscal Court

Independent Auditor's Report

We have audited the Nicholas County Sheriff's Settlement - 1999 Taxes as of May 20, 2000. This tax settlement is the responsibility of the Nicholas County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Nicholas County Sheriff's taxes charged, credited, and paid as of May 20, 2000, in conformity with the basis of accounting described in the preceding paragraph.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Larry Tincher, Nicholas County Judge/Executive

Honorable Charles Ring, Nicholas County Sheriff

Members of the Nicholas County Fiscal Court

Based on the results of our audit, we present comments and recommendations, included herein, which discusses the following areas of noncompliance.

- The Sheriff Should Eliminate \$3,131 Deficit In Tax Account
- Lack Of Adequate Segregation Of Duties

In accordance with Government Auditing Standards, we have also issued a report dated September 14, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
September 14, 2000

NICHOLAS COUNTY
CHARLES RING, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

May 20, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 179,388	\$ 101,856	\$ 565,528	\$ 224,995
Tangible Personal Property	6,065	3,253	15,922	25,230
Intangible Personal Property				8,951
Fire Protection		45,069		
Franchise Corporation	23,445	18,488	65,260	
Increased Through Erroneous Assessments	42	39	134	53
Penalties	1,639	1,401	5,160	2,084
Adjusted to Sheriff's Receipt	<u>1</u>	<u>2</u>	<u>(3)</u>	<u>(6)</u>
Gross Chargeable to Sheriff	<u>\$ 210,580</u>	<u>\$ 170,108</u>	<u>\$ 652,001</u>	<u>\$ 261,307</u>
<u>Credits</u>				
Discounts	\$ 2,583	\$ 2,054	\$ 8,095	\$ 3,749
Exonerations	811	623	2,360	546
Delinquents:				
Real Estate	4,577	3,917	14,429	5,740
Tangible Personal Property	<u>41</u>	<u>22</u>	<u>108</u>	<u>118</u>
Total Credits	<u>\$ 8,012</u>	<u>\$ 6,616</u>	<u>\$ 24,992</u>	<u>\$ 10,153</u>
Net Tax Yield	\$ 202,568	\$ 163,492	\$ 627,009	\$ 251,154
Less: Commissions *	<u>8,897</u>	<u>5,350</u>	<u>25,080</u>	<u>10,962</u>
Net Taxes Due	\$ 193,671	\$ 158,142	\$ 601,929	\$ 240,192
Taxes Paid	193,535	155,978	601,283	239,824
Refunds (Current and Prior Year)	<u>376</u>	<u>284</u>	<u>1,210</u>	<u>446</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (240)</u>	<u>\$ 1,880</u>	<u>\$ (564)</u>	<u>\$ (78)</u>

* and ** See Page 4

NICHOLAS COUNTY
CHARLES RING, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
May 20, 2000
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	558,045
4% on	\$	627,009
1% on	\$	49,169

** Special Taxing Districts:

Library District	\$	1,964
Health District		(74)
Fire District		<u>(10)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>1,880</u></u>
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The accompanying notes are an integral part of the financial statement.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT

May 20, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 20, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bonds which named the Sheriff as beneficiary/obligee on the bond.

NICHOLAS COUNTY
NOTES TO FINANCIAL STATEMENT
May 20, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 25, 1999, through May 20, 2000.

Note 4. Interest Income

The Nicholas County Sheriff earned \$1,522 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

NICHOLAS COUNTY
CHARLES RING, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

May 20, 2000

Assets

Cash In Bank	\$ 3,226
Deposits in Transit	15,544
Receivables:	
Hospital Fund	150
State	78
County	240
School	564
Health	74
Fire	10
From Fee Account Due to Deposit of Bank Shares	81
School Interest Overpaid	29
	<hr/>
Total Assets	\$ 19,996

Liabilities

Paid Obligations-	
Outstanding Checks	\$ 1,263
Other Taxing Districts-	
State	861
County	3,251
School	11,223
Library	752
Fire	1,046
Tax Commissions Due Sheriff's Fee Account	304
Interest Due School	14
Interest Due Sheriff's Fee Account	15
Advertising Fees Due Sheriff's Fee Account	40
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Total Paid Obligations	\$ 18,769

CHARLES RING, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
May 20, 2000
(Continued)

Unpaid Obligations-

Other Taxing Districts-

Library	\$	1,964
10% Add-On Fee Due Sheriff's Fee Account		372
Tax Commissions Due Sheriff's Fee Account		1,992
Interest Due Sheriff's Fee Account		<u>30</u>

Total Unpaid Obligations \$ 4,358

Total Liabilities \$ 23,127

Total Fund Deficit as of May 20, 2000 \$ (3,131)

COMMENTS AND RECOMMENDATIONS

NICHOLAS COUNTY
CHARLES RING, SHERIFF
COMMENTS AND RECOMMENDATIONS

May 20, 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Eliminate \$3,131 Deficit In Tax Account

Based on available records, there was a deficit of \$3,131 in the Sheriff's 1999 Tax Account. This resulted primarily from undeposited tax receipts. We recommend the Sheriff deposit \$3,131 from personal funds to the tax account to eliminate this deficit. The fee account is due \$2,374 of the deficit.

Sheriff's Response:

I will repay the amount due in Dec - 2000

INTERNAL CONTROL:

Lack Of Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgement established by management. We also recognize this judgement is affected by certain circumstances beyond the elected official's control, such as functions prescribed by statutes and regulations and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness.

Sheriff's Response:

OK

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Larry Tincher, Nicholas County Judge/Executive
Honorable Charles Ring, Nicholas County Sheriff
Members of the Nicholas County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Nicholas County Sheriff's Settlement - 1999 Taxes as of May 20, 2000, and have issued our report thereon dated September 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nicholas County Sheriff's Settlement - 1999 Taxes as of May 20, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nicholas County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comment and recommendation.

- Lack of Adequate Segregation of Duties

Honorable Larry Tinch, Nicholas County Judge/Executive
Honorable Charles Ring, Nicholas County Sheriff
Members of the Nicholas County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be a material weakness.

- Lack of Adequate Segregation of Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 14, 2000

